

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 PA-01 PRS-01 USIA-06 SCCT-01 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

/056 W

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R 302055Z APR 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 9964

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3139

E.O. 11652: GDS

TAGS: BEXP, ELAB, EC

SUBJECT: IDB HELO EASE DISPUTE BETWEEN WESTINGHOUSE/CEBOR AND
QUITO MUNICIPALITY; WORK ON PITA-TAMBO PROJECT RESUMES

REF: QUITO 2704

1. SUMMARY: IN DISCUSSIONS IN WASHINGTON WITH QUITO MUNICIPAL OFFICIALS AND WITH WESTINGHOUSE/CEBOR REPS, IDB OFFICIALS AGREED (A) TO PERMIT THE U.S. FIRM TO REVISE ITS ROLE IN THE PITA-TAMBO PROJECT, SO AS TO HAVE CONSIDERABLY FEWER EMPLOYEES UNDER DIRECT HIRE BY THE FIRM, AND (B) TO SERVE AS ARBITRATOR OF FIRM'S FINANCIAL CLAIMS AGAINST MUNICIPALITY, ON UNDERSTANDING THAT IF CLAIMS ARE FOUND JUSTIFIABLE, THE ADDITIONAL PAYMENTS FOR THEM WOULD COME NOT FROM IDB BUT RATHER FROM MUNICIPALITY. END SUMMARY.

2. LOCAL U.S. EXECUTIVE (ACKER) OF WESTINGHOUSE/CEBOR HAS CONFIRMED PUBLIC STATEMENTS MADE BY QUITO MAYOR, UPON LATTERQJS RETURN APRIL 28 FROM DISCUSSIONS WITH IDB IN WASHINGTON, THAT DISCUSSIONS COULD BE CHARACTERIZED AS "SUCCESSFUL" AND THAT WORK ON PITA-TAMBO PROJECT IS NOW EXPECTED TO MOVE FAIRLY RAPIDLY AND SMOOTHLY TO CONCLUSION BY THE END OF
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THIS CALENDAR YEAR.

3. ACKER SAID THE PROPOSALS PUT FORTH BY THE QUI TO MUNI- CIPALITY AND THE U.S. FIRM TO THE IDB CALLED FOR REDUCING NUMBER N WORKERS AT THE PROJECT UNDER DIRECT H RE BY WESTINGHOUSE/CEBOR TO ROUGHLY 300 AS AGAINST PREVIOUS 600. SPECIFICALLY, WESTINGHOUSE/CEBOR WOULD RETAIN 135 FIELD LABORERS, 40 WHITE-COLLAR WORKERS, AND UP TO FIFTY EMPLOYEES WHO TECHNICALLY WOULD REMAIN ON THIS PAYROLL BUT ARE FOR VARIOUS REASONS EXPECTED NO TO RETURN TO THEIR DUTIES, ALTHOUGH THEY HAVE THE RIGHT TO DO SO. MUNICIPALITY, AND PERHAPS SOME SUB-CONTRACTORS, WOULD HRAKE ON WORKERS FORMERLY EMPLOYED BY WESTINGHOUSE/CEBOR, MOSTLY FOR WORKS SUCH AS LAND- SCAPING WHICH ARE NOC ESSENTIALLY RELATED TO THE ENGINEERING PORTION OF THE PROJECT. ACKER SAID THAT, WHILE THIS ARRANGE- MENT FALLS SHORT OF FIRM'S EARLIER PROPOSAL TO RESTRICT ITSELF PRIMARILY TO ROLE AS MANAGERIAL CONSULTANT, THE PROPOSAL WAS ACCEPTED BY THE IDB AND IS ACCEPTABLE TO WESTINGHOUSE/ CEBOR AS A WORKABLE COMPROMISE.

4. ACKER ALSO REPORTED THAT IDB AGREED TO REVIEW WESTINGHOUSE/ CEBOR'S FINANCIAL CLAIMS (MAINLY FOR COST ESCALATIONS) AGAINST MUNICIPALITY, AND TO RENDER DECISION WITHIN SIXTY DAYS (I.E., PRESUMABLY BY END OXIJUNE) AS TO WHICH IF ANY OF THE CLAIMS SHOULD BE CONSIDERED VALID IN ACCORDANCE WITH THE CONTRACT BETWEEN THE U.S. FIRM AND THE MUNICIPALITY, AND WITH ECUADOREAN LAW. IDB STRESSED, HOWEVER, THAT IT WOULD NOT SUPPLY ANY ADDITIONAL FINANCING TO COVER ANY OF THE CLAIMS FOUND TO BE VALID, AND UNDERSTANDING WAS REACHED THAT QUITO MUNICIPALITY WOULD HAVE THE RESPONSIBILITY FOR OBTAINING AND SUPPLYING SUCH ADDITIONAL FINANCING. (EMBASSY COMMENT: THIS OF COURSE LEAVES OPEN POSSIBILITIES THAT THE FINANCIAL CLAIMS WILL NOT BE SATISFACTORILY SETTLED. MUNICIPALITY APPARENTLY IS UNDER NO OBLIGATION TO ABIDE BY IDB'S FINDINGS RE THESE CLAIMS; AND EVEN IF MUNICIPALITY ACCEPTS SUCH FINDINGS, IT MAY HAVE DIFFICULTIES IN OBTAINING THE CONSEQUENT REQUIRED ADDITIONAL FINANCING,

5. ACKER REPORTED THAT SINCE THE U.S. FIRM RESUMED WORK ON THE PR CECT APRIL 19, ACTIVITIES HAVE BEEN PROCEEDING FAIRLY
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SMOOTHLY AND RAPIDLY, WITH ONLY OCCASIONAL VOCAL OUTBURSTS FROM A FEW LABOR AGITATORS WHO HAVE SHOWN UP AT THE SITE. TEN POLICE HAVE BEEN ASSIGNED INDEFINITELY TO PROVIDE PRO- TECTION AGAINST LABOR AGITATION, AND THIS NUMBER, WHILE MUCH SMELLER THAN WESTINGHOUSE/CEBOR WOULD LIKE, SO FAR HAS PROVEN ADEQUATE TO DISSUADE LABOR AGITATMRS FROM ACTUAL VIOLENCE.

6. ACKER SAID THAT IF PROGRESS CONTINUES AT CURRENT RATE, PITA-TAMBO WILL BEGIN SUPPLYING PURIFIED WATER TO QUITO AROUND OCTOBER 1 OF THIS YEAR, AND THAT PROJECT WILL BE ESSENTIALLY FULLY COMPLETED BY END OF YEAR.

7. EMBASSY COMMENT: APART FROM THE ABOVE GROUNDS FOR OPTIMISM THAT THIS AFFAIR WILL END WITHOUT SERIOUS FURTHER FINANCIAL INJURY TO WESTINGHOUSE/CEBOR AND WITHOUT RESULTANT NEGATIVE IMPACT ON GENERAL U.S.-ECUADOREAN COMMERCIAL RELATIONS, IDB'S HELPFUL COOPERATION HAS MADE QUITO MAYOR LOOK GOOD, AND ARTICLES IN LEADING ECUADOREAN DAILIES HAVE FEATURED HIS PRONOUNCEMENTS THAT HIS DISCUSSIONS IN WASHINGTON WERE SUCCESSFUL, ALTHOUGH HE HAS NOT SPELLED OUT DETAILS TO THE PRESS. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTES, LABOR RELATIONS, LABOR FORCE, PROGRAMS (PROJECTS), PITA-TAMBO
Control Number: n/a
Copy: SINGLE
Draft Date: 30 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976QUITO03139
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760167-0852
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976043/aaaaabnx.tel
Line Count: 131
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 QUITO 2704
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2004 by SmithRJ>; APPROVED <19 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IDB HELO EASE DISPUTE BETWEEN WESTINGHOUSE/CEBOR AND QUITO MUNICIPALITY; WORK ON PITA-TAMBO PROJECT RESUMES
TAGS: BEXP, ELAB, EC, US, WESTINGHOUSE/CEBR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006